COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

REVIEW OF FEDERAL COMMUNICATIONS	)	
COMMISSION'S TRIENNIAL REVIEW ORDER	)	**CASE NO.**
REGARDING UNBUNDLED REQUIREMENTS	)	**2003-00379**
FOR INDIVIDUAL NETWORK ELEMENTS	)	

SURREBUTTAL TESTIMONY

OF

JEFFREY W. REYNOLDS

ON BEHALF OF KENTUCKY ALLTEL, INC.

Filed: April 13, 2004

SURREBUTTAL TESTIMONY OF JEFFREY W. REYNOLDS

Q. Are you the same Jeffrey W. Reynolds who filed direct and reply testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your surrebuttal testimony?

A. My surrebuttal testimony responds to the arguments regarding market definition and the self-provisioning switching triggers raised by Dr. Mark T. Bryant on behalf of MCI, Mr. Joseph Gillan on behalf of CompSouth, and Mr. Jay M. Bradbury on behalf of AT&T.

Q. Please describe how ALLTEL determined the CLEC switches that serve mass market customers in the Greater Lexington market.

A. ALLTEL utilized the Local Exchange Routing Guide ("LERG") for those specific exchanges served by Kentucky ALLTEL ("ALLTEL") to determine the CLECs serving in ALLTEL serving areas. The LERG lists the NPA/NXXs assigned to a given switch; this information was used to determine if the CLEC switch is able to serve in ALLTEL serving areas.

Q. Why is the LERG a reliable source for determining the number of switches to be counted for the self-provisioning trigger?

A. AT&T's witness, Mr. Bryant, attempts to discredit both BellSouth's and ALLTEL's use of the LERG in determining the number of switches that CLECs have deployed in the various Kentucky markets (Bradbury Rebuttal – pg. 9). The LERG is the industry standard database listing switch information. Use of the LERG provides an industry-wide source on switching that is consistent with the FCC's desire to have a straightforward objective determination of switching impairment when using the self-provisioning or wholesale switching triggers. The use of the LERG allows for this straightforward approach.

Q. Is there any significance to BellSouth and ALLTEL determining different switch counts from the LERG?

A. Mr. Bradbury, in arguing that use of the LERG is flawed, points out that there are differences in the switch counts and ownership determined by BellSouth and ALLTEL (Bradbury Rebuttal – pgs. 9 & 10). As pointed out earlier, ALLTEL only examined those switches in ALLTEL serving areas and made no attempt to coordinate or reconcile BellSouth's use of LERG information. Mr. Bradbury is merely trying to "end run" the only database that can be applied objectively in determining the number of switches capable of serving a given market.

The LERG is the only comprehensive industry-wide source for conducting an exercise such as the switch counts associated with the self-provisioning and wholesale switching triggers. The FCC, in the TRO, establishes bright-line rules that are clearly intended to provide an objective method for determining the number of switches serving a given market. The LERG provides an objective source that does not rely on self-reporting by the CLEC. The presence of a switch in the LERG is an indication that a given switch is capable of providing service in the NPA/NXXs associated with that switch.

Q. Do the CLEC switches counted by ALLTEL meet the criteria established by the FCC for the self-provisioning trigger?

A. Yes. The switches identified in Exhibit JWR-2 attached to my direct testimony are serving or are capable of serving mass market customers. Both Mr. Bradbury (Bradbury Surrebuttal pg.11) and Mr. Gillan (Gillan Surrebuttal pgs. 26 - 42) go through an exercise of "disqualifying" switches proposed by BellSouth (and presumably ALLTEL, although Mr. Bradbury only eliminates certain AT&T switches relative to ALLTEL) based on an extensive list of criteria clearly intended to circumvent the FCC's "bright line" rules relative to the self-provisioning triggers.

Mr. Gillan extracts six criteria from the TRO that he indicates should guide the Commission in analyzing the self-provisioning and wholesale triggers (Gillan Surrebuttal pg. 23). The FCC's actual discussion of triggers is fairly succinct. The discussion of the self-provisioning trigger begins:

> We determine that – subject only to the limited exception set forth below – a state must find "no impairment" when three or more unaffiliated carriers each is serving mass market customers in a particular market with the use of their own switches. (TRO, par. 501)

The exception deals with exceptional sources of impairment that may exist such as no collocation space. (TRO, par. 503). No such exceptional sources of impairment exist in ALLTEL's market.

Q. Is there a requirement for a CLEC switch to serve a particular number of mass-market customers in order to count it in the self-provisioning trigger?

A. No. In the trigger analysis portion of the TRO the FCC sets forth the objective criteria it expects the states to apply, particularly the need for multiple, competitive suppliers (TRO, par. 501). Paragraph 499 of the TRO sets out the specific criteria that the states must evaluate. These include:

- The number of carriers that self-provision switches
- The affiliation of the carrier
- Actively providing service to mass market customers
- Operationally willing and able to provide service to all customers within the market
- Capable of economically serving the market

The FCC specifically limits the "trigger" analysis by stating, "… we find that the states shall not evaluate any other factors such as the financial stability or well-being of the competitive switch providers." (TRO, par. 500). There is no threshold established for the number of mass market customers that must be served by a given switch in order for that switch to be counted in the self-provisioning trigger analysis.

Q. Must switch based cable telephony providers be excluded from being counted toward the self-provisioning trigger?

A. No. Contrary to Mr. Brandbury's and Mr. Gillan's elaborate arguments excluding Comcast from inclusion in BellSouth's and ALLTEL's trigger analysis (Bradbury Surrebuttal pg. 11, Gillan Surrebuttal pg. 29), cable telephony providers are to be included in the trigger "count". The FCC states:

> We recognize that when one or more of the three competitive providers is also self-deploying its own local loops, this evidence may bear less heavily on the ability to use a self-deployed switch as a means to of accessing the incumbent's loops. Nevertheless, the presence of three competitors in a market using self-provisioned switching and loops shows the feasibility of an entrant serving the mass market with its own facilities. (TRO, par. 501, fn. 1560)

The fact that ALLTEL has actually lost customers to a cable telephony provider (Insight) is reflective of that competitor's ability to compete with services that are clearly substitutable for traditional telephony services.

Q. Are there other instances where facilities based providers are making competitive in-roads into the Lexington market?

A. There are a number of competitors poised to enter the Lexington market that would further increase the number of switches capable of serving mass market customers in the Greater Lexington market. As discussed in my direct testimony, Cinergy has recently completed a number of collocations with ALLTEL. In addition, other facilities based carriers can easily enter these markets as well. The ability of a competitor to enter the Lexington market on a facilities basis was demonstrated in detail through ALLTEL's testimony in Case No. 2003-00115. A copy of that testimony is attached as Exhibit JWR-SR1 and incorporated herein by reference.

Q. Does ALLTEL's definition of "Greater Lexington" as the relevant market for determination of unbundled local switching consider relevant cost or revenue differences that would prevent a CLEC from entering any portion of that market?

A. Since ALLTEL's definition of the "Greater Lexington" market is made up of contiguous exchanges, many of the concerns voiced by Dr. Bryant (Bryant Rebuttal pg. 3) are ameliorated by applying ALLTEL's definition. The "Greater Lexington" market is approximately 130 miles across at its most distant points with most of the lines close to Lexington proper. Most of the lines are within UNE Zone 1. Accordingly there are no significant differences in loop or transport costs between the various exchanges.

Dr. Bryant also discusses revenue potential of a given exchange. The "Greater Lexington" market has a "business to total" ratio of almost 33% for 73% of its lines. The limited cost variability in the ALLTEL market definition coupled with a significant level of high margin lines and a demographically homogenous customer mix makes the "Greater Lexington" market the proper definition for determining impairment.

Q. How does ALLTEL's definition of market compare to BellSouth's?

A. While BellSouth's definition meets the market criteria set forth in the TRO by recognizing the economic and market factors underlying the impairment analysis, ALLTEL's definition is more straightforward in that it presents a seamless market composed of contiguous exchanges. This seamlessness presents a consistent marketing base for a competitive entrant, limits cost variants, and creates demographic constancy in the customer base.

Q. Mr. Gillan recommends LATAs to evaluate impairment (Gillan Rebuttal pg. 14). How does this definition compare to ALLTEL's definition?

A. Mr. Gillan's use of LATA is certainly far less granular than Dr. Bryant's "wire center" definition.

ALLTEL's definition of the "Greater Lexington" market constitutes what a LATA may have resembled for a non-BOC company if they had created their own LATA in the early 1980s. ALLTEL's definition of market is more conservative than a LATA-wide and recognizes the unique aspects of the ALLTEL serving area.

Q. Please summarize your testimony.

A. MCI, AT&T and CompSouth continue to attempt to circumvent the self-provisioning triggers set forth in the TRO by suggesting market definitions that are far too granular or by "disqualifying" trigger switches by narrowly defining the switches to be counted or a "threshold" of mass market customers to be served before a switch can be counted. None of these additional criteria are part of the TRO. The trigger rules are "bright-line" objective tests to be applied in a given market. ALLTEL's analysis of self-provisioned switches and its definition of the Greater Lexington market complies with the TRO and conclusively shows that competitors are self-providing switching to mass market customers in that market.

Q. Does this conclude your surrebuttal testimony?

A. Yes, at this time.

Respectfully submitted,

KENTUCKY ALLTEL, INC.

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CERTIFICATE OF SERVICE

I hereby certify that the parties on the attached service list were notified by letter of the filing of this document, and were given an opportunity to receive a paper copy of this document by making a request to the undersigned attorney.

This 13th day of April, 2004.

Noelle M. Holladay

Noelle M. Holladay

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AFFIDAVIT

STATE OF ARKANSAS)
) SS:
COUNTY OF PULASKI)

Jeffrey W. Reynolds, being duly sworn according to law, deposes and says that he is a principal in the consulting firm of Parrish, Blessing and Associates, Inc., consultants for ALLTEL Communications, Inc., and that in this capacity he is authorized to and does make this Affidavit on behalf of Kentucky ALLTEL, Inc. ("Kentucky ALLTEL"), and that the facts set forth in the foregoing surrebuttal testimony are true and correct to the best of his knowledge, information and belief.

Jeffrey W. Reynolds

Sworn and Subscribed to before me this 12th day of April, 2004.

(SEAL)

Notary Public

My Commission Expires:

September 1, 2011

SANDRA JEAN WOOD
NOTARY PUBLIC
My Comm. Expires
9-1-2011
GRANT COUNTY, AR